



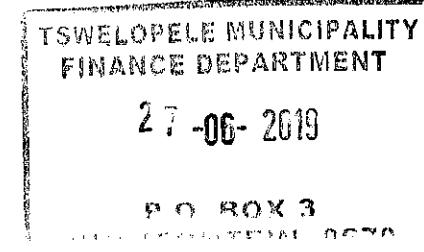
MINUTES FOR THE SPECIAL COUNCIL MEETING

27 JUNE 2019

INDEX

**SPECIAL COUNCIL MEETING:
27 JUNE 2019**

ITEMS	SUBJECT	PAGE NO
MATTERS FOR DISCUSSION		
1 / 06	SUBMISSION OF TSWELOPELE LOCAL MUNICIPALITY'S REVIEWED IDP 2019 / 2020 TO THE COUNCIL OF TSWELOPELE LOCAL MUNICIPALITY	4
2 / 06	REPORT ON MUNICIPAL SECTOR PLANS WHICH FORM PART OF THE IDP	7
3 / 06	ANNUAL BUDGET: 2019 / 2020 FINANCIAL YEAR	9
4 / 06	COST CONTAINMENT REGULATIONS MADE IN TERMS OF LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003	15



1. PURPOSE

This item is submitted to Council for consideration of the Annual Budget for the 2019 / 2020 financial year as required by the Municipal Finance Management Act, 2003 [Act 56 of 2003].

2. BACKGROUND

In terms of the Municipal Finance Management Act, 2003, Act 56 of 2003, section 24 (2)(a), the annual budget of the Municipality must be approved before the start of the new financial year, section 24 (2)(b), annual budget is approved by the adoption by the council of a resolution referred to in section 17(3)(a)(i) and section 24 (2)(c) annual budget of the Municipality must be approved together with the adoption of resolutions as may be necessary.

It is crucial that the Council approves the annual budget before the start of the financial year [i.e. approval must be done by the latest 30 June 2019]. Failure by Council to approve the annual budget before the beginning of the financial year would mean that the Mayor must report to the member of the executive council responsible for local government in the province, highlighting the reasons why the budget could not be approved.

3. STAKEHOLDERS CONSULTED

- ♦ None.

4. LEGAL IMPLICATIONS

- ♦ Compliance with Municipal Finance Management, 2003 [Act 56 of 2003].
- ♦ Compliance with Municipal Budget and Reporting Regulations.

5. STAFF IMPLICATIONS

- ♦ None.

6. FINANCIAL IMPLICATIONS

- ♦ Approval of the item as submitted will constitute the tabled budget for the 2019 / 2020 financial year. This budget is yet to undergo community consultation processes and the final budget will be approved by Council on the latest 30 June 2019.
- ♦ The following are the proposed tariff increases for 2019 / 2020 financial year:

Property Rates for all other properties	: 6.50%
Property Rates for agricultural properties	: 6.50%

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FINANCE DEPARTMENT

27-06-2019

P.O. BOX 3

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■ Water	: 6.50%
■ Refuse	: 6.50%
■ Sanitation	: 6.50%
■ Electricity	: 13.00%

All other tariff increases are per the Tariff List of the Municipality as tabled during March 2019 with the exception of the electricity tariff.

During March 2019, when the annual budget was tabled to Council, the guideline from NERSA was not yet received / published. Accordingly, a tariff increase of 8.50% was considered. However, NERSA has subsequently published the guideline which the municipality must consider when increasing their tariff for electricity, which is 13.07%. In developing this tariff by NERSA, the following assumptions on increases were made:

1. Bulk purchases will increase by 15.63% as indicated in the Eskom standard tariff submission for the 2019 / 2020 financial year.
2. Consumer Price Index (CPI) – 5.2%.
3. Salary increases – CPI plus 1.5%.
4. Repairs and maintenance, capital charges and other costs will increase by CPI.

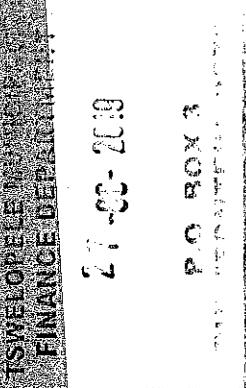
The formula used to calculate the guideline increase is outlined below:

$$\begin{aligned}
 MG &= (BP \times BPI) + (S \times SI) + (R \times RI) + (CC \times CCI) + (OC \times OCI) \\
 &= (74 \times 0.1563) + (10 \times 0.067) + (6 \times 0.052) + (5 \times 0.052) + (5 \times 0.052) \\
 &= 11.566 + 0.67 + 0.312 + 0.26 + 0.26 \\
 &= 13.07\%
 \end{aligned}$$

Where:

- MG = % Municipal Guideline Increase
- BP = % Bulk purchases
- BPI = % Bulk purchase increase
- S = % Salaries
- SI = % Salaries increase
- R = % Repairs
- RI = % Repairs increase
- C = % Capital charges
- CCI = % Capital charges increase
- OC = % Other costs
- OCI = % Other costs increase

During March 2019, when the annual budget was tabled to Council, the guideline from NERSA was not yet received/published. Accordingly a tariff increase of 8.50% was considered. However, NERSA has subsequently published the guideline which the municipality must consider when increasing their tariff for electricity, which is 13.07%.



developing this tariff by NERSA, the following assumptions on cost increases were made:

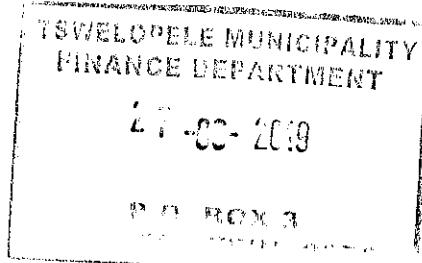
1. Bulk purchases will increase by 15.63% as indicated in the Eskom standard tariff submission for the 2019/20 financial year.
2. Consumer Price Index (CPI) – 5.2%².
3. Salary increases – CPI plus 1.5%³.
4. Repairs and maintenance, capital charges and other costs will increase by CPI.

The formula used to calculate the guideline increase is outlined below.

$$\begin{aligned}
 MG &= (BP \times BPI) + (S \times SI) + (R \times RI) + (CC \times CCI) + (OC \times OCI) \\
 &= (74 \times 0.1563) + (10 \times 0.067) + (6 \times 0.052) + (5 \times 0.052) + (5 \times 0.052) \\
 &= 11.566 + 0.67 + 0.312 + 0.26 + 0.26 \\
 &= 13.07\%
 \end{aligned}$$

Where:

- MG = % Municipal Guideline Increase
- BP = % Bulk purchases
- BPI = % Bulk purchase increase
- S = % Salaries
- SI = % Salaries increase
- R = % Repairs
- RI = % Repairs increase
- C = % Capital charges
- CCI = % Capital charges increase
- OC = % Other costs
- OCI = % Other costs increase



CALCULATION OF THE GUIDELINE FOR THE 2019/20 FINANCIAL YEAR			
Cost line item	Revised municipal % of total cost	Expected increase	Weighted average expected increase %
Purchases	74	15.63	11.566
Salaries and wages	10	6.7	0.67
Repairs and maintenance	6	5.2	0.312
Capital charges in total	5	5.2	0.26
Other cost	5	5.2	0.26
% increase			13.07

NB: The Municipality proposes a tariff increase of 13.00% [not 13.07%]. The revised tariff increase is indicated in the tariff list. Public consultation must still be undertaken on the budget given that none has unfolded since the budget was tabled.

7. RISKS

- ◆ The municipality maybe unable to render services to the community due to non-availability of financial resources if the budget is not approved.
- ◆ Section 139 of the Constitution may be imposed on the Council of the Municipality.

8. ANNEXURE

- ◆ Budget with table A1 – A10 in terms of the Municipal Budget and Reporting Regulations.
- ◆ 2019 / 2020 Tariff List.
- ◆ Budget related policies.

9. RECOMMENDATION

1. That the annual budget of the Municipality for the financial year 2019 / 2020, 2020 / 2021 and 2021 / 2022 be considered for approved as set out in:
 - [a] Table A1: Budgeted Summary.
 - [b] Table A2: Budgeted financial performance [revenue & expenditure by standard classification].
 - [c] Table A3: Budgeted financial performance [revenue & expenditure municipal vote].
 - [d] Table A4: Budgeted Financial performance [revenue & expenditure].
 - [e] Table A5: Budgeted capital Expenditure by vote, standard classification and funding.
 - [f] Table A6: Budgeted financial position.
 - [g] Table A7: Budgeted cash flow.
 - [h] Table A8: Cash backed reserves / accumulated surplus reconciliation.
 - [i] Table A9: Asset Management.
 - [j] Table A10: Basic Services Delivery Measurement.
2. That the operating budget as set out in Table A1 – A4 and Capital budget as set out in Table A5 be implemented with effect from 1 July 2019.
3. That property rates tariffs be approved in terms of section 14 of Municipal Property Rates Act, 2004 [Act 6 of 2004].
4. That tariffs for services charges as reflected in the tariff list be approved and implemented with effect from 1 July 2019.
5. That Council implements the electricity tariff as approved by NERSA with effect from 1 July 2019.
6. That the following budget related policies be further subjected to annual review process for approval in June 2019 and implementation with effect from 1 July 2019:
 - (a) Budget policy
 - (b) Virement policy
 - (c) Funding and reserves policy
 - (d) Banking / cash and investment policy

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FINANCE DEPARTMENT

27-06-2019

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- (e) Credit Control and debt collection policy
- (f) Indigent support policy
- (g) Bad debt write-off policy
- (h) Property rates policy
- (i) Tariffs policy
- (j) Supply chain management policy
- (k) Asset management policy
- (l) Deposit policy
- (m) Customer care policy
- (n) SCM Policy on infrastructure assets
- (o) Petty cash management policy
- (p) Subsistence and travel policy
- (q) Unallocated deposits policy

[FOR RESOLUTION]

The Honourable Mayor delivered the 2019 / 2020 budget speech and it was well accepted. The budget speech is attached as an Annexure to the minutes.

Minutes: **Special Council Meeting:** 27 June 2019

The Mayor proposed that the matter be resolved as follows and was seconded by Cllr Taedi.

RESOLVED:

1. That the annual budget of the Municipality for the financial year 2019 / 2020, 2020 / 2021 and 2021 / 2022 was considered and approved as set out in:

- [a] Table A1: Budgeted Summary.
- [b] Table A2: Budgeted financial performance [revenue & expenditure by standard classification].
- [c] Table A3: Budgeted financial performance [revenue & expenditure municipal vote].
- [d] Table A4: Budgeted Financial performance [revenue & expenditure].
- [e] Table A5: Budgeted capital Expenditure by vote, standard classification and funding.
- [f] Table A6: Budgeted financial position.
- [g] Table A7: Budgeted cash flow.
- [h] Table A8: Cash backed reserves / accumulated surplus reconciliation.
- [i] Table A9: Asset Management.
- [j] Table A10: Basic Services Delivery Measurement.

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FINANCE DEPARTMENT

27-06-2019

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2. That the operating budget as set out in Table A1 – A4 and Capital budget as set out in Table A5 be implemented with effect from 1 July 2019.
3. That property rates tariffs was approved in terms of section 14 of Municipal Property Rates Act, 2004 [Act 6 of 2004].
4. That tariffs for services charges as reflected in the tariff list was approved and be implemented with effect from 1 July 2019.
5. That Council implements the electricity tariff as approved by NERSA with effect from 1 July 2019.
6. That the following budget related policies were approved and be implemented with effect from 1 July 2019:
 - (a) Budget policy
 - (b) Virement policy
 - (c) Funding and reserves policy
 - (d) Banking / cash and investment policy
 - (e) Credit Control and debt collection policy
 - (f) Indigent support policy
 - (g) Bad debt write-off policy
 - (h) Property rates policy
 - (i) Tariffs policy
 - (j) Supply chain management policy
 - (k) Asset management policy
 - (l) Deposit policy
 - (m) Customer care policy
 - (n) SCM Policy on infrastructure assets
 - (o) Petty cash management policy
 - (p) Subsistence and travel policy
 - (q) Unallocated deposits policy

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27-03-2019

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